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STATE FOR SCA/INSB AND EEB/IFD/OMA
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TREASURY FOR MALACHY NUGENT/ATTICUS WELLER/MARY BRENNAN
COMMERCE FOR ITA EROL YESIN
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SUBJECT: Maldives sign TIFA with Hopes to Increase Trade and Entice
U.S. Investments

¶1. On October 17 United States and the Maldives signed a Trade Investment Framework Agreement (TIFA) with the goal of increasing bilateral trade and investment. The USG was represented by Assistant USTR for South and Central Asia Michael Delaney; Minister for Economic Development Mohamed Rasheed signed the TIFA on behalf of the Maldives. Under the TIFA, the United States and the Maldives will meet once per year at a senior level to discuss ways to resolve trade and investment disputes and to find ways to increase bilateral trade.

¶2. The Maldives signed the TIFA as part of its overall strategy to open up to the world and increase trade and investment. The Government of the Maldives (GOM) hopes to increase foreign direct investment, including by privatizing state utilities. The GOM has also started a program to provide loans to small and medium sized enterprises to encourage grass roots economic development. Minister Rasheed noted that the GOM is planning to move away from import duties to direct taxes. In remarks at a well-attended press conference, AUSTR Delaney commented that TIFAs tend to increase trade and investment, and they also provide other U.S. trade opportunities such as Generalized System of Preferences (GSP), Overseas Private Investment Corporation (OPIC) and the United States Trade Development Agency (USTDA).

¶3. The Maldives imports almost everything it consumes, and its primary industries are tourism and fishing. In 2008 the Maldives ran an \$890 million deficit in goods, partially offset by a \$356 million surplus in services. Tourism accounts for 27% of the Maldives GDP, while fisheries have a 4.2% share but constitute almost all of the Maldivian goods exports. The Maldives runs a relatively large trade surplus with the United States. In 2008 the Maldives imported \$32 million in goods from the U.S., and only exported \$1.5 million in goods, principally fish and fish products. Americans account for 1.2% of total tourist arrivals in the Maldives.

¶4. Comment. The signing of the TIFA is one more step as the new GOM seeks to transform its country from borrowing and government employment to the free market. The TIFA signing is primarily a symbolic step, but the Maldives is also eager to have access to the U.S. GSP and OPIC programs. Post will continue to monitor and encourage this move toward an open economy. End Comment.

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